

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: BLOCK ISLAND UTILITY DISTRICT** :  
**d/b/a BLOCK ISLAND POWER COMPANY** :  
**LAST RESORT PROCUREMENT PLAN AND** : **DOCKET NO. 5141**  
**LAST RESORT SERVICE AND** :  
**TRANSMISSION RATES** :

**REPORT AND ORDER**

On March 30, 2021, the Block Island Utility District d/b/a Block Island Power Company (BIUD) filed with the Public Utilities Commission (Commission) its annual Last Resort Service (LRS) and transmission rates for the period May 1, 2021 through April 30, 2022.<sup>1</sup> The new rates would decrease the total LRS and transmission rates compared to the relevant seasonal rate in effect for the period June 1, 2020 through April 30, 2021.<sup>2</sup> BIUD represented that it had an overcollection of \$226,643 from the prior period and requested to use the overcollection to set up a power purchase/transmission expense reserve account instead of returning it directly through the LRS and transmission rates.<sup>3</sup> On April 29, 2021, the Commission suspended the effective date of the rates for one month. Following an exchange of discovery, a review of a memorandum from the Division of Public Utilities and Carriers (Division), and an evidentiary hearing, the Commission approved the procurement plan and also approved rates consistent with a Settlement between BIUD and the Division.

The Settlement filed on May 10, 2021 proposed rates designed to recover projected total energy, capacity, interconnection, and fuel costs for the upcoming eleven-month period of \$1,114,007.<sup>4</sup> This amount included \$20,400 to refund an over-collection from the periods ending

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<sup>1</sup> Bebyn Test. and Attach (Mar. 30, 2021).

<sup>2</sup> *Id.* at 10-11.

<sup>3</sup> Bebyn Test. at Sch. DGB-4. This amount was updated throughout the case with the final amount to be credited to customers through the Settlement set at \$262,108. Div. Mem. at 2 (May 13, 2021).

<sup>4</sup> Settlement. On May 13, 2021, the Division submitted a memorandum from Al Contente, one of its rate analysts, summarizing the filing and supporting the Settlement. Div. Mem.

April 2020 and April 2021. When divided by the estimated 13,069,000 kWh sales to customers, the total LRS charge was \$0.0852/kWh.<sup>5</sup>

The Settlement proposed rates designed to recover total transmission costs for the upcoming eleven-month period of \$967,572. This amount included a credit to return a net over-collection from the periods ending April 2020 and April 2021. When divided by the estimated kWh sales to customers, the total transmission charge was \$0.0740/kWh.<sup>6</sup>

After utilizing \$80,267 of the updated overcollection of \$262,108 accrued during the period July 1, 2020 through April 30, 2021 to reduce rates, the Settlement addressed the remaining \$181,840 over-collection. The Settlement applied \$136,298 to retire the summer-only distribution system impact charge. This charge had been used primarily to fund new advanced meters for BIUD over the course of several years. This application will benefit ratepayers by eliminating the charge early and therefore, provide immediate rate relief. The remaining \$45,542 of the over-collection would be used to make the final payment on the interconnection cost to connect to the transmission system for the period May 2022 through April 2023. The Division explained that it made more sense to hold the funds and make the final payment rather than reducing the 2021 payment and then having to include it in rates next year.<sup>7</sup>

The Settlement also indicated that the Division had reviewed the LRS procurement plan and found it to be reasonable. In support of its LRS procurement plan, BIUD filed testimony of Jeffrey Wright, President of BIUD, and consultant Timothy Hebert of Energy New England. Mr. Wright explained that BIUD's power supply portfolio had focused primarily on cost, but prior to this filing, BIUD's Board had spent "considerable time" contemplating how to minimize energy

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<sup>5</sup> Settlement at Sch. 1.

<sup>6</sup> Bebyn Supp. Test. at DGB-1.

<sup>7</sup> Div. Mem. at 2.

supply costs while also integrating affordable renewable energy resources.<sup>8</sup> Mr. Wright indicated that the proposed supply portfolio included three longer term renewable energy contracts that were all signed subject to Commission approval as part of the proposed procurement plan in the instant matter. Each contract included a fixed price purchase of energy and renewable energy certificates (RECs). According to Mr. Wright, these contracts would provide price stability to the portfolio. He explained that BIUD planned to initially sell the RECs to reduce rates. In the future, should it be beneficial to the State's renewable energy goals, BIUD would consider retiring those RECs. Mr. Hebert described the competitive bid process under which BIUD entered into two solar contracts and described the pricing for a hydroelectric contract BIUD signed. His analysis led him to conclude that the contracts were attractively priced, provide some renewable energy benefit, and provide price stability within the procurement plan.

Addressing the remaining supply within the procurement plan, Mr. Hebert indicated it would continue to be made up of load following purchase(s) but, unlike prior procurements, BIUD would seek seasonally adjusted percentages to take into account BIUD's unique load shape driven by substantial tourism from May to September each year. BIUD will also continue to receive an allocation of power from New York Power Authority (NYPA) hydro-projects. The load following contract will be bid 3-6 months prior to the expiration of the current contract in October 2021.<sup>9</sup>

On May 20, 2021, the Commission conducted a Settlement hearing to consider testimony from both parties. BIUD presented Mr. Wright, Mr. Hebert, and Mr. Bebyn while the Division presented Al Contente. Mr. Hebert indicated that the price included in the filing was an estimate whereas the final amount would be subject to the procurement. He expected the price to be within

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<sup>8</sup> Wright LRS Procurement Plan Test. at 2-3.

<sup>9</sup> Bebyn Test. at 4 (Apr. 2, 2020). BIUD will also continue to receive energy from its rooftop solar project.

5% of the estimate.<sup>10</sup> Mr. Wright explained that BIUD was interested in seeking load following contracts for a period longer than the 18 months for which it had previously contracted. He opined that those would provide additional pricing stability.<sup>11</sup>

One speculative expense BIUD will be facing over the pricing period is the cost of replacement fuel during a projected outage of the transmission cable between the mainland and Block Island. National Grid will initiate the outage to repair the transmission line that has been compromised. The outage was scheduled for the Spring of 2021 during a period when Orsted repaired its part of the line. Mr. Wright had secured \$50,000 as compensation from National Grid to cover some of the fuel expense. The cost that will need to be recovered from ratepayers will be the cost of the replacement fuel to run the diesel generators net of the energy portion of LRS and net of the \$50,000 from National Grid.<sup>12</sup>

Addressing BIUD's renewable energy component of the procurement plan and future plans for the treatment of RECs, Mr. Wright explained that the Board of Directors had not yet approved a strategy for the treatment of RECs. He indicated that he believed the primary focus would be on rate impacts from the renewable energy contracts, but that the Board is still actively working on its strategy.<sup>13</sup> Mr. Hebert discussed his analysis on the pricing of RECs in the market, but noted that the future of the REC market supply and demand is somewhat unknown at this time while states in the region decide the future of their respective renewable energy goals.<sup>14</sup>

The next issue was the request by BIUD for approval of renewable energy contracts to meet its LRS obligation for a period that extends beyond the current exemption from offering

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<sup>10</sup> Hr'g. Tr. at 18-19.

<sup>11</sup> *Id.* at 21-22.

<sup>12</sup> *Id.* at 33-34.

<sup>13</sup> *Id.* at 51-52.

<sup>14</sup> *Id.* at 52-57.

competitive supply. There was a discussion of the risk of stranded costs or of increased risk to customers who do not choose competitive supply should the exemption not be extended. Mr. Wright testified that BIUD would likely seek a permanent statutory exemption like the one allowed to Pascoag Utility District. However, Mr. Hebert also testified that even if the exemption was lifted, given BIUD's size, he believed it would be highly unlikely that retail suppliers would market to BIUD's customers. In support of his opinion, he cited customer acquisition costs as a deterrent. He noted that the size of the customers' usage on Block Island, together with the difficulty in providing a noticeable price difference to customers, would likely deter competitive supply. He explained that, due to the nature of energy in the regional wholesale market as a commodity, all suppliers, including the utility as the default provider, procure their energy and capacity products at similar- if not the same- price points. While there may be some ability to provide high usage customers with an energy or capacity product at a noticeably different price than that provided by the default supplier, such a situation does not exist on Block Island.<sup>15</sup>

At an Open Meeting conducted on May 26, 2021, the Commission approved the Settlement, specifically approving the procurement plan, the rates, and treatment of the overcollection as proposed in the Settlement. The settled disposition of the overcollection provides a direct benefit to all customers with the majority of the funds being used to offset a summer-only charge. This appropriately balances the return of the overcollection to the timing of its accrual, which occurred primarily during the summer of 2020.

The Commission is pleased to see BIUD engaged in the renewable energy market voluntarily. One may wonder why BIUD and Pascoag Utility District (Pascoag) may sell their RECs to offset costs rather than being required to retire them and count the RECs toward the

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<sup>15</sup> Hr'g. Tr. at 74-75.

State's Renewable Energy Standard (RES). The RES law exempts BIUD and Pascoag, which is consistent with the treatment of municipally owned utilities in Massachusetts. As a result, BIUD and Pascoag have no requirement to purchase renewable power like National Grid and other suppliers across the state. In addition, even if BIUD held and retired the RECs in an effort to assist the State of Rhode Island in meeting its clean energy goals, the current law does not allow the voluntary acquisition of RECs to be counted for purposes of measuring progress toward the State's broader goals. Therefore, it is reasonable for BIUD under current law to sell the RECs in order to offset the procurement costs for its ratepayers. Furthermore, the hydroelectric power contracts are not eligible renewable energy resources under Rhode Island's RES.

Finally, the Commission encourages BIUD to provide advance notice to the Commission and Division when the cable outage is scheduled and to provide the Commission with the results of the costs that will flow through to customers through the fuel adjustment filing after approval by the Division.

Accordingly, it is hereby

(24096) ORDERED:

1. The Settlement Agreement and resulting Last Resort Service and Transmission rates are hereby approved for effect on June 1, 2021.
2. Block Island Utility District d/b/a Block Island Power Company's Last Resort Service Procurement Plan is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 1, 2021 PURSUANT TO  
OPEN MEETING DECISIONS ON MAY 26, 2021. WRITTEN ORDER ISSUED AUGUST 2,  
2021.

PUBLIC UTILITIES COMMISSION



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Ronald T. Gerwatowski, Chairman



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Abigail Anthony, Commissioner



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John C. Revens, Jr., Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.